

## **DEFENSE LOGISTICS AGENCY (DLA) ACQUISITION PLAN FOR CAPTAINS OF INDUSTRY (COI) LONG TERM CONTRACT WITH BOEING**

Program/Project Title: Boeing Captains of Industry Long Term Contract

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Requiring Activity: DLA Aviation

Estimated Dollar Value: (b) (5)

### **A. Acquisition Background and Objectives**

This plan describes the Defense Logistics Agency's proposed acquisition plan and strategy for the negotiation and award of a long term Requirements Type contract on a sole-source basis for performance based supply chain management support of aircraft and systems manufactured by The Boeing Company, 6200 J.S. McDonnell Blvd, P.O. Box 516, St. Louis, MO 63166-0516 (Henceforth referred to as "Boeing"). The acquisition will cover the following Boeing Contractor and Government Entity (CAGE) Codes: 0APX0, 0PXV4, 38YR6, 94756, 18441, 48BM4, 48LF5, 43999, 81205, 82918, 8V613, 76301 and 77272. As explained in more detail herein, the support includes wholesale supply and logistics support, inventory management, maintenance planning, reliability improvement, configuration management and sustaining engineering associated with the end items. The contract anticipates various modes of support including Performance Based support of high demand spares with availability metrics, stock support of additional items with long term pricing, transactional support for any potential Boeing spares requirement and Depot Level material support required for repair of repairables and aircraft depot maintenance. The acquisition will be conducted with Boeing using other than full and open competition as prescribed in FAR 6.302-1, "Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements." This action will result in the award of a contract which is anticipated to be a ten (10) year Requirements Type Contract consisting of a five (5) year base period and one five (5) year option period to be exercised after completion of Market Research. In no event will the total contract period exceed the ten-year period authorized by 10 U.S.C. 2304a(f), unless appropriate approval is obtained. This contract will include transition phases to ensure that requirements currently covered by existing DLA contracts will transition to this contract, and those items covered by transactional support will be phased in as required. The contract will consolidate existing contracts into one comprehensive contract in a manner that enhances effectiveness and reduces overall cost to the Department of Defense (DoD). These reductions will be achieved through a decrease in the number of contracts awarded and administered, an increase in the availability and reliability of the parts supported, and a reduction to the cost of material supplied. This effort will enable one infrastructure managed by Boeing, creating an arrangement that balances performance, risk, and cost. The subject RFP number is SPRPA1-13-R-003U.

## **1. Statement of Need.**

The requirement represents a comprehensive and holistic performance based supply chain management program to support Boeing aviation platforms. This contract will cover the acquisition of performance based support, as follows – logistics management, which includes wholesale supply support, depot-level consumable support, material management, sustaining engineering support, packaging, storage, transportation and reliability improvements. Performance based support will decrease overheads and administrative burdens by consolidating the supply chain, facilitate the use of economic ordering quantities from suppliers and reduce redundancy. The support is divided into two areas, direct aviation platform material support and material support for the repair of aviation components at DoD repair depots. For the direct material support, Boeing will be required to fill DoD and FMS customer requisitions for approximately 56,000 National Stock Numbers (NSNs) of which approximately 4,600 will be supported via a performance based approach. The 4,600 items identified for performance based support were determined to represent approximately 80% of demand and 70% of annual consumable spending within the last three year period, thus ensuring that this grouping of items includes those with the highest recurring demand. These NSNs have been previously identified as sole source and will be recertified as Boeing sole source items prior to being procured. The NSNs are comprised of both consumable and depot level repair material. Critical safety items (CSI) and/or critical application items (CAI) will be among the items supported under this contract. Boeing will be required to meet supply chain performance based metrics for material availability. The performance metrics will be based on the level of demand for the individual NSNs. For the depot support, Boeing will be required to fill material requirements for the repair of repairables and aircraft depot maintenance in Government repair depots to support Boeing aviation platforms. Boeing will be required to fill all material requirements emanating from individual component repair bill of materials (RBOMs) at DoD repair depots for Boeing aviation platforms. In addition to filling the RBOM requirements Boeing is expected to reduce overall component Repair Turn Around Time (RTAT), improve component reliability, improve maintenance practices and make recommendations for Engineering Change Proposals (ECPs). Additionally Boeing will be required to aggregate all material requirements, i.e. production, repair, allowances, in order to leverage the best value for material support. The support provided under this proposed contract must ensure compatibility and interoperability of all components within specified systems, including any changes that may need to be made to address reliability and obsolescence with other aircraft systems; all while ensuring that the price of this effort remains cost effective.

For the Stock based portion of the requirement, the contract will contain individual unit of issue prices for items to be delivered at specified lead times. Stock items were selected by identifying those items with recurring demand which fell outside the frequency used to determine the performance based grouping. For the transactional portion of the requirement, the contract will allow for formula pricing of low demand items below the Truth In Negotiations Act (TINA) threshold on an expedited basis. Transactional items will include all low demand items and will be priced on a one time basis only.



The platforms to be supported include the AV-8B, C-17, CH-47, F/A-18, F-15, KC-135, B-52, B-1, E-3, AGM-84 and AGM-86. The resultant contract will provide for support of DLA customers worldwide including Navy, Marines, Army, Air Force, and Foreign Military Sales as specified in the Performance Work Statement (PWS).

As noted, the proposed contract will include a base period of 5 years and one five (5) year option period and will be a fixed price Requirements contract. However, in recognition of the various support scenarios envisioned, different provisions may apply to different groups of items. These provisions will be dependent upon the nature of the support provided. As requirements fully develop, various contract types will be considered for each phase as applicable, including Firm Fixed Price, Firm Fixed Price Incentive, and Fixed Price Re-determinable. It is anticipated that these contract types will be represented under one umbrella contract for all requirements. A fixed price performance based type contract is determined to be the most appropriate means of addressing customer requirements, as it transfers maximum risk of performance and risk of cost to the Contractor. Per FAR 16.503(b)(1), a requirements contract is appropriate for acquiring any supplies or services when the Government anticipates recurring requirements but cannot predetermine the precise quantities of supplies or services that the designated Government activities will need during a definite period.

Fixed Price redeterminations, while appropriate for stock requirements, may be counter to the overall objective of incentivizing the investment needed to achieve improvements in support in a performance based environment. To significantly reduce administrative costs, DLA plans to use lot pricing for the performance based portion of this requirement. Stock and transactional items will still be unit priced. In order to minimize Government risk, various alternative approaches are being considered including:

- Shared Savings clauses to encourage significant improvements while passing savings back to the Government.

- Demand Bands: To mitigate risk for fluctuating demands, the Integrated Procurement Team (IPT) is considering adjustments to similarly priced items within the established bands. When actual demands are less than the lower band, the performance based price will be reduced. When actual demands exceed the upper band, the Government will increase the price of the applicable contract line item. Price adjustments will also be applied to the annual total price based on the contractor's performance under the availability metric.

- Incurred Cost Reporting: In a performance based environment, the contractor is expected to improve performance and reduce demands. While this is the objective of the contract, our research indicates at least one instance of excessive profit for the supplier in a performance based agreement. The IPT is considering obtaining in-process cost reporting to ensure that savings are appropriately shared in this environment.

The IPT believes that all of these risk mitigation tools may be employed in the multiple phases of this contract. Specific decisions will be made prior to finalization of the requirement in the Request For Proposal.

## **2. Applicable Conditions**

Boeing components are currently supported by DLA under various contracts. This support ranges from Customer Direct (CD) long term contract support to discrete tactical contracts for "spot" buys. The current support strategy uses separate vehicles for supporting depot-level repairables (DLRs) and consumable items.

This contract will replace the following existing Boeing contracts: SP0400-02-D-9407 which expires in May of 2014 and SPM400-03-D-9408 which expires in March of 2015. Items currently procured under Basic Ordering Agreement (BOA) SPM4A1-09-G-0004, which expires in March 2014, will also be ordered under this contract however a new BOA will also be negotiated. The anticipated Long Term Contract will expand upon the universe of CD items currently available under these predecessor contracts under the performance based phase. The anticipated contract will provide for a full range of performance based functions (as noted earlier in this document) not currently provided under the predecessor contracts

DLA will maintain coverage for current contracts until the anticipated Captains of Industry (COI) contract is awarded which will enable the transition of the covered items to begin. The current contracts will be allowed to expire subsequent to award of the COI contract.

Upon award, items currently receiving Direct Vendor Delivery (DVD) support will transition to the proposed contract. The items on this contract not currently covered by DVD delivery will be phased-in through a ramp-up transition period. Boeing will require this ramp-up period to manufacture or procure items in ready-for-issue condition and lay in sufficient contractor owned inventory in order to meet the contract delivery requirements. In addition, the use of a long term contractual vehicle such as this has been deemed to be beneficial to the Government since, with recurring requirements, established long term support allows for more efficient ordering of requirements, and will require Boeing to maintain the infrastructure necessary to adequately provide required items in order to ensure timely deliveries.

This will be a sole source procurement issued to Boeing in accordance with the associated J&A. The primary objective of this acquisition is to satisfy DLA's logistic support for the systems and selected components via one supplier. This strategy ensures that requirements are consistently filled by the customer's required delivery date (RDD), while reducing inventory investments and utilizing best industry practices to support the war fighter.

## **3) Cost.**



The estimated dollar value in support for all items is (b) (5) for the full length of the contract which includes a five year base and one five year unpriced option. The estimated award date of the base contract is November 2013 with the initial performance base requirement being added in March 2014.

The performance based payments are anticipated to be aggregated under demand bands determined by price related item groupings and paid on a fixed monthly basis. The benefit of this approach is to eliminate the award, performance and administration of thousands of delivery orders executed under current contracts with Boeing. The elimination of this transactional approach to ordering is key to Boeing's ability to reduce costs under this contract. Each demand band would be a compilation of similarly priced items to allow for reliable average demand pricing for each band. The fixed monthly rate would be computed by assessing the projected 5 year cost of the program. The total price per year would then be divided in equal increment payments over 60 months. Boeing will invoice monthly based on that price. A periodic reconciliation against actual demands would be performed and an appropriate price adjustment would occur annually. DLA procurement and payment systems have been reviewed and the alterations required to accommodate this innovative pricing mechanism are in process with an estimated completion date of November 2013. Depot support will also be funded under a performance based pricing approach.

Each stock component would be called out separately for CLIN structure and unit priced as is traditionally accomplished in the current acquisition environment with the objective to reduce production lead time.

Negotiation of the proposed contract will be completed by the DLA Contracting Officer. The support contemplated under this acquisition will be procured under FAR Part 15. Contract pricing will include the (5) five year base period while the (5) year option period will be unpriced. Cost data accrued as part of the cost reporting requirements of the proposed contract will be used as part of the evaluation conducted for negotiations of the unpriced option.

To compute the total multiple year cost, the Government will use a combination of methods that may include cost and price analysis, engineering reviews, regression analysis of prices charged for similar items, parametric comparison to similar items, and measuring the slope of the offered pricing trend lines. Detailed documentation and justification of price reasonableness will be disclosed in the official price negotiation memorandum, as required, to be prepared upon completion of negotiations. The Contracting Officer will request both certified cost and pricing data which will include actual costs from existing contracts. The Contracting Officer will engage the Defense Contract Management Agency, the Defense Contract Auditing Agency and possibly third party service providers to review and audit the contractor's proposal as necessary.

Boeing's original concept for the COI effort proposed that the program would ripen into to a full Performance Based Logistics (PBL) program for all Boeing platforms, to include repair of repairables (ROR). Based on this scope, Boeing projected a 20% savings to the projected cost to the Government under current acquisition strategies. While this contract

will not include ROR support, it will act as a "proof of concept" platform for the contractor to establish and widen spares support direct to the customer and at the Depot Level, which may lead to full PBL support including ROR in the future, however the inclusion of ROR strategy is not within the scope of this plan or other supporting acquisition documents. Under the proposed contract, the contractor estimates approximately 10% savings to the projected cost of support for DLA customers. A Government baseline will establish the estimated cost of business over the base period of the contract under the current acquisition scenario versus the Boeing proposed cost. Boeing's intent is to use economies of scale to drive down the cost to the Government and increase the savings percentages as the program is expanded from performance based support of consumables to Depot Level spares support.

The anticipated ten year term of this contract will incentivize Boeing to continue investments in reliability improvements, obsolescence management, process improvements and more efficient depot operations over the contract period. If the contract were for less than five years there would not be any inherent incentives to reinvest beyond the initial years since there would not be enough time for Boeing to realize a return on further investments. Inherent in the 5 year base/5 year option contract structure is an incentive to continue to improve reliability and drive down cost. This contract will be negotiated assuming decreased costs through the potential ten year performance period of the contract. Based on the contractor's experience lengthy history of providing these items to the Government and their knowledge of their own platforms and supplier base, the Government is confident that Boeing possesses a reasonable expectation of decreased cost and overall price over the term of the contract.

Finally, if a firm fixed price contract type is negotiated, the Government will include cost reporting requirements for the performance based portion of the requirement and price redetermination provisions for stock items. These provisions will give the Government visibility of the contractor's actual costs and an opportunity to revisit prices at regular intervals during performance, thus ensuring a fair and reasonable price to the Government.

#### **4) Capability or Performance**

Only Boeing can provide the necessary expertise, capacity, capability and proficiency to perform this effort. Boeing is the only company which possesses the requisite engineering expertise, configuration management, tooling, and management knowledge to ensure that items conform to the proper form, fit and function, thus keeping complex weapon systems reliable and safe. Boeing is the only source that possesses the full range of technical data (some of which is proprietary) required to manufacture the sole source items that are covered by this requirement. Boeing is the only contractor that can leverage the production capability and in-depth knowledge of the vendor base capable of supporting these various weapon systems at the required level of support. For the sole source material provided for direct aviation platform support, it has been determined the Government does not have a complete, unrestricted data package. With regards to the material support for the repair of aviation components and aircraft depot maintenance at



DoD repair depots, Boeing's overall systems engineering knowledge and technical expertise in the various aviation's platforms systems integration make it singularly capable of performing the full scope of the depot support requirement. No contractor other than Boeing, the sole manufacturer and integrator of the various platforms to be supported, has the capability to perform all the requirements of the comprehensive performance based supply chain management program. The key overarching objective of the contract is to maximize the availability/use of the various weapons systems by providing timely material support through initiatives such as: incentivizing reliability improvements; streamlining supply chain management and improving maintenance processes and procedures. In order to meet this overarching objective, the provider must have the ability to drive changes into the weapons system configuration and, more importantly, understand, analyze, and assess the implications—both in terms of weapons system performance and operational usage—of any potential configuration change. To do so, this effort will require engineering and logistics support personnel with a robust ability to reach back to the original equipment manufacturer (OEM)—Boeing—to support engineering investigations, fault detection and isolation, repair development, modification development, supportability analysis, and the associated technical documentation development and support. Boeing is the only source that has the engineering and systems integration expertise to assess how reliability modifications to individual systems or process changes could affect overall aircraft performance or operational usage of the aircraft. Only Boeing has personnel with the requisite breadth and depth of experience and understanding of, the totality of technical data necessary to fulfill this requirement and ensure the currency, accuracy, and completeness of the technical data and associated databases. Finally, once modifications or process changes are made, only Boeing has the existing infrastructure to ensure timely execution of such changes, including the ability to efficiently execute changes simultaneously into production and fielded aircraft.

Furthermore, by having only one contractor responsible for the preponderance of supply chain management, the Government has a single focal point with management accountability and contractual responsibility. No other source has the long-standing business relationships with the supplier base that Boeing has developed. No other source can leverage this supplier base as well as Boeing can to assure the continued effective, reliable, and safe sustainment of the supply chain along with cost savings, improved availability and reliability. Any other contractor would introduce an unacceptable degree of risk into the supply chain effort and, ultimately, into the Boeing aircraft, missiles and systems.

In sum, no contractor other than Boeing has the requisite data and detailed systems engineering and integration knowledge to execute the highly integrated and complex performance based supply chain management support requirements successfully.

#### **5) Delivery or Performance Period Requirements**

Requisitions for RFI or items from the field will flow through the normal supply channels. Performance based requirements will be available electronically to Boeing.

Boeing's response time begins when the contractor receives the requisition. Payment will be made on a monthly basis to provide this outcome. This payment is tied to a projected level of requirements. The requirements in this case are demands captured via demand bands. As explained above, this pricing methodology incentivizes Boeing to incorporate processes and product improvements to meet the availability metric and improve reliability. This will result in a corresponding reduction in cost which will be addressed in the negotiations.

Downward changes to the contract price will occur if availability falls below the prescribed rate. The delivery schedule referenced in the contract for performance based requirements will be the previously referenced availability metric. Performance will be measured and adjusted on an annual basis. In the event any delivery to a CONUS destination or OCONUS shipping point has not been made by the deadlines stated in the performance metric, it will be considered a miss against the availability metric. Any demand not filled within the prescribed timeframe counts as a miss under the availability metric.

#### **6) Trade-offs**

The proposed contract will include downward price adjustments for availability less than the established metric. Failure to meet the metric could result in the unlikely scenario of the Government terminating the performance based contract line item for default. If that were to occur, transactional and organic support for these items would prevent disruption to DOD's customers. Tactical support under a termination scenario would include spare procurements facilitated by a separate line item under this contractual vehicle and the DLA Basic Ordering Agreement with Boeing. Performance will be measured on an annual basis; performance reviews will occur every six months to evaluate the performance based metric and stock delivery performance. Under the proposed fixed price agreement, Boeing assumes significant risk and responsibility for support, which covers a variety of weapon systems. The Government continues to maintain configuration control for these items and will be responsible for all directed Class I Engineering Change Proposals (ECPs) affecting configurations.

#### **7) Risks**

Boeing has provided the spares in question under various sole source contracting vehicles for an extended period of time. Boeing has also provided a number of these items as Customer Direct deliveries with fill rate metrics. Therefore, the contractor has the experience as both the sole source manufacturer and timely provider of the items in question, greatly lessening the overall risk to the Government.

(a) Schedule/Performance Risk: This proposed contract allocates risk to both the Government and the contractor. The Government's risk is its failure to timely fund all of its annual requirements to the contractor in order to guarantee necessary and proper delivery. The contractor assumes risk with having to proactively address stocking levels and potentially



unstable markets within a fixed price structure. In addition, Boeing is in the best position to address any issues associated with obsolescence given the long term nature of the proposed contract. The Contractor shall not be relieved from contractual delivery requirements due to diminished sources of supply or because of the need to qualify new sources of supply for alternate material. The contractor will be responsible for the goals contained in the subcontracting plan regardless of changes in sources of supply.

(b) Cost Risk: It is anticipated that fixed prices will be negotiated for the five year base period of this contract. These fixed prices will establish cost certainty at the time of contract award. Orders will be placed on a regular, recurring basis to reduce the number of funding actions required. Cost reporting and price redetermination provisions will be considered to the contracting vehicle to further protect the Government's interests.

(c) Risk Mitigation Plan: Long term contracting initiatives are designed to improve performance within budget restraints, alleviate risk and remove the variability in prices. This contract will allow the contractor the flexibility to manage workload and material in order to meet the specified schedule and performance requirements within the negotiated pricing structure.

#### **8) Acquisition Streamlining.**

The proposed contract will reduce the need for the placement of separate/individual contracts and orders for all the items covered under this contract's performance based provisions. Boeing will fill all requisitions placed in accordance with the availability metric. The PCO will collaborate with various Defense agencies which include the Defense Logistics Agency, Defense Contract Management Agency (DCMA) and Defense Contract Audit Agency (DCAA) to expedite all reviews. DCMA will partner with DCAA to review and provide cost analysis as necessary. Collaboration websites will be used to the greatest extent possible with internal document reviews held concurrently to expedite the process.

### **B. Plan of Action for Support**

#### **1) Sources**

This acquisition will be negotiated with The Boeing Company, the original source of the aforementioned weapon system components. The requirements identified are for Boeing items that support various platforms. Available data has not been adequate to support competition. Many items are also considered flight critical, therefore, any additional sources must obtain engineering source approval prior to contract award. The contractor is required to maintain current configuration in manufacturing these items and any waivers/deviations must process through the Defense Contract Management Agency's Administrative Contracting Officer.

As discussed above, this effort has been determined to be sole source to Boeing. No entity, with the exception of Boeing, has been determined to be a viable source for the

level of support that is required for this effort. Therefore, the required knowledge and technical data to compete this requirement is not available and can not be economically obtained to support competition, no competition will be developed at this time.

Only Boeing can provide the necessary expertise, capacity, capability and proficiency to perform this effort. Boeing is the only company which possesses the requisite engineering expertise, configuration control, tooling and management knowledge to ensure that items conform to the proper form, fit and function; thus keeping complex weapon systems reliable and safe. Boeing is the only contractor that can leverage the production capability and in-depth knowledge of the vendor base capable of supporting these various weapon systems. Boeing is uniquely qualified to provide the complete range of logistics support required by the Government thus becoming the single point of contact for logistics management.

No other contractor has the ability to perform this complex integration activity nor has the detailed knowledge to support the weapon systems. Successful performance of this contract requires the Contractor to accomplish requirements forecasting and inventory replenishment. Boeing would have control over the various logistical support elements- from the multiple suppliers and producers, the production lines, inventory levels, and transportation resources to support the customer. As the logistics manager for the items, Boeing will ensure that the items required by the services are available when needed. The key is the single point of logistics support responsibility. The contractor will have to possess an effective forecasting capability that moves beyond a reliance on historical demand patterns and known variances. The required forecasting capability will have to be anticipatory, capable of considering and adjusting to variables in use, engineering design, and product performance of these items. The contractor will have to leverage the full range of the supply chain in order to meet the needs of the customer.

### Market Research

DLA Aviation issued a Potential Sources Sought advertisement on July 17, 2013 which resulted in two responses, one from The Boeing Company. DLA used evaluation criteria to determine if competition was possible which included possessing a technical data package and having manufacturing capability. The responses are summarized as follows:

1. The Boeing Company provided a package in response to the Potential Sources Sought notice which outlined their experience as an industry leader in Performance Based Logistics (PBL) support (b) (4)

(b) (4)

consistent with DLA's goal to provide performance based support to military customers at a reduced cost. As the only respondent, Boeing was able to demonstrate the capability to provide the requisite level of supply chain management expertise. Boeing, the OEM and incumbent production contractor, has demonstrated the capability to provide the requisite systems-level integration for all platforms within the necessary timeframe.



2. ISO Group, Inc. provided a response (b) (4) (b) (4) ISO does not possess or have access to the full spectrum of technical and system integration information required to successfully perform the requirements of this acquisition. Notification was sent to ISO referring them to the program manager at Boeing.

A technical review of subject requirement has been made to determine and identify all known sources. The Government has not acquired or developed the technical data needed to procure the PBL support required from a source other than Boeing. The subject requirement will be synopsisized in the FedBizOpps.

The results of the market research has indicated that no sources other than Boeing possess or have access to the full spectrum of technical and system integration information required to successfully perform the requirements of this acquisition.

## **2) Competition**

This will be a sole source procurement supported by a sole source justification and approval based upon the authority of 10 U.S.C. § 2304(c)(1), as implemented by Federal Acquisition Regulation 6.302-1. DLA has a breakout program designed to convert as many acquisitions to full and open competition as possible. As to this acquisition, it has been determined, as stated previously, that only Boeing, the OEM, has the expertise, capability and technical data, to perform the integrated package of support required under this contract. Obtaining an alternate source or sources for the proposed ten years of support for these items here is not feasible or cost effective. Boeing has been determined to be the only source with the engineering and logistical expertise, capability, and technical data to manufacture and deliver the material and logistics support required in this contract that will satisfy requirements generated by DLA in support of customers worldwide.

A review of technical data in the DLA's physical possession for the sole source parts has shown that finding an alternate manufacturing source is not feasible. Such data either is not available, is not to the latest configuration, is not sufficiently complete, or is proprietary to Boeing. Because some of the subject items are CSI/CAI, if an interested source presented itself (and none has), it would have to obtain engineering source approval from the cognizant engineering support activity prior to contract award. Obtaining engineering source approval as to the CSI/CAI items here, if a source presented itself, would be a very lengthy process. Government engineering source approval generally takes a minimum of six months for an item. This contract covers Boeing sole source requirements that have been verified as such through technical reviews. As stated, these requirements are sole source for various reasons, including that the technical data is proprietary or not otherwise available to the Government.

### **3) Source Selection Procedures**

As competition is not available at the desired outcome level, source selection procedures are not required under this solicitation. An Integrated Product Team (IPT) consisting of the Senior Contract Specialist, the Logistics Weapons Managers and assigned counsel will ensure that a comprehensive evaluation of the appropriate contracting, legal, logistical and technical issues will be addressed. DLA counsel has reviewed all critical acquisition documents including the acquisition plan and Justification and Approval for legal sufficiency.

### **4) Acquisition Considerations**

- a) Contract Type: The proposed acquisition will be a fixed price, Requirements Type contract.
- b) Contract Length: A 5 year base period and one five year unpriced option is anticipated.
- c) Special Contracting Methods/Clauses/Deviations: Contract may include special clauses (but not limited to) Depot Labor Rate EPA, Cost Reporting, Price Redetermination and Availability Metrics. No regulatory deviations are known to be required at this time.
- d) Solicitation Procedures: Solicitation SPRPA1-13-R-003U is expected to be issued by September 19, 2013.
- e) Small Business Subcontracting Strategies: Boeing will provide a Subcontracting Plan for this acquisition. Clause 52.219 -10, Incentive Subcontracting Program and 52.219-16, Liquidated Damages- Subcontracting Plan, will be included in the solicitation. DLA Aviation Strategic Acquisition at Philadelphia, PA is committed to providing opportunities for small businesses under this contract. Individual negotiations will pursue DoD Small Business Program Subcontracting Goals as follows:

Small Business 50%  
HUB Zone Small Business 1%  
Service-Disabled Veteran-Owned Small Business 1%  
Disadvantaged Small Business 5%  
Women-Owned Small Business 5%  
Veteran Owned Small Business 3%

Additionally, Boeing will be required to develop a means to accurately collect and report indirect costs related to Small Business goals. Boeing will be notified and asked to improve in these areas as necessary. The achievement of the Small Business goals will be included as part of the



Contract Administration Plan in the regularly scheduled Program Management Reviews. DCMA will be delegated the responsibility to monitor and report Subcontracting Plan performance against goals. The cognizant Small Business Administration representative will be included in all reviews.

- f) Other considerations: This long term Requirements Type Contract does not represent bundling (see FAR 7.107). It does represent consolidation (see DFARS 207.170-2) of individual requirements for the performance based material support, stock items and transactional items, as these requirements will be consolidated from previous contracts. By separate determination, the contracting officer will be required to approve the consolidation to ensure it is justified. The depot support portion of the contract does not represent bundling or consolidation as this support package is a new product being initially procured under this contract. The depot support will require the contractor to enter the supply chain at a new level, providing new support schemes not previously procured. It is therefore considered an initial procurement for the purposes of this acquisition and not subject to bundling or consolidation. Results of market research verify that this is a unique, initial requirement not previously performed since no other contractor beyond Boeing has expressed interest.
- g) Incentives: The fixed pricing structure of the contract provides an inherent incentive to the Contractor to provide effective logistics, availability and reliability improvements. An availability metric is also anticipated for the performance based portion of the requirement.
- h) Provisions/Special Clauses: Buy America Act, Berry Amendment, Domestic Specialty Metals, and Required Sources for Ball Bearings.

## **5) Budgeting and Funding**

The total estimated dollar value of the proposed ten year contract is based upon historical and projected service requirements. Delivery orders will be issued annually, and funded by the Defense Working Capital Funds (WCF) and other military service working capital funds as well as FMS funds. No appropriated funds will be used. Each delivery order will be issued by a DLA Contracting Officer. Funding will be obtained prior to issuance of the delivery orders.

## **6) Product or Service Descriptions**

The items being supported under this procurement are identified with a National Stock Number, Nomenclature, and Part Number. Item required for stock will be ordered on an as needed basis and will be delivered at lead time. As discussed above, the Government is not buying parts or services for the performance based component of this requirement,

but is procuring an outcome comprised of a comprehensive suite of performance in support of a wide array of military platforms. NAICS code 336413- Other Aircraft parts and Auxiliary Equipment Manufacturing applies to the predominant portion of the work anticipated. Boeing will be responsible for the manufacture, storage and shipment of items within specified timeframes. Boeing is also responsible for engineering and logistic support, reliability improvement, configuration management and material management.

#### **7) Priorities, Allocations, and Allotments**

The proposed contract and any/all orders issued under the contract will carry a DO rating and include FAR Clause 52.211-15, Defense Priority and Allocation Requirement (April 2008). This will ensure that any items converted or introduced at a DX rating will take precedence.

#### **8) Contractor versus Government performance**

DLA is not engaging in the direct conversion of any functions. Rather, this is a continuing redesign of how the DLA supports its customers, buying integrated supply chain management (SCM) in addition to items of supply. The contract will address Boeing's configuration management plan, however, Configuration Control will be retained by DLA or the Military Service's engineers. The contract will set forth the criteria for Class I and Class II changes. The Government review all changes, including Class II, to ensure they meet the definition.

The requirements of Office of Management and Budget (OMB) circular A-76 are not applicable to this initiative. This initiative does not "contract out" government employees or seek to commercialize discrete functions or activities, but instead leverages public-private partnerships and interaction to achieve the expected reliability, availability, maintainability, and testability outcomes at a reduced cost.

#### **9) Inherently Governmental Functions**

Boeing's responsibility under this contract will include only activities supporting the parts under the contract. If successful, Boeing's performance should reduce the need for parts over time. All functions that are inherently Governmental will remain in-house and will be performed by Government employees. As explained above, the Government will retain configuration control and operational mission requirements determination. The number of flight hours, unit of operation or demands will be driven by mission needs that Boeing will have no control over. Under the contract, Boeing will have no discretionary or perceived authority, no decision-making responsibility, and no accountability over any inherently governmental function.

#### **10) Management Information Requirements**

The Contractor is required to report: requisition receipt, status and shipping using Electronic Data Interchange (EDI) interfaces with the applicable DLA systems. Also, the



Contractor will have access to some Government databases. Semi-annual reviews will be held to evaluate and monitor the contractor performance. The contractor will be required to provide self-reported performance data to the DLA PCO, or his/her assignee, as necessary which will be verified by the DCMA ACO.

#### **11) Make or Buy Decision**

Boeing possesses all the engineering and technical data and is required to procure items from approved sources of supply. A make-or-buy program in accordance with FAR 15.407-2 is not applicable since the Government's oversight of Boeing's make-or-buy program will be contradictory to the required independence and unilateral decision-making the contractor must have in a performance based environment.

#### **12) Test and Evaluation**

This contract that will require the contractor to maintain a quality system that addresses the elements of ISO 9001-ANSI/ANSQ Q9001.

#### **13) Logistics Considerations.**

- a) Reliability/Maintainability Requirements: The systems currently covered by this proposed acquisition are both in-current-production and out-of-production. As the OEM, Boeing has the technical data and expertise to address such issues. The Contractor shall acquire parts, arrange for agile manufacturing processes or carry a level of inventory necessary to deliver parts within the prescribed delivery time for orders. There are no quantity guarantees on NSNs.
- b) Quality Assurance Requirements: Government inspection will be required and tailored to the criticality of the items involved. ISO 9000 applies to this procurement.
- c) Warranties: The desired level of warranty is best commercial available, e.g., direct exchange of defective parts without question within a certain time frame.
- d) Data Requirements: Any updates to technical data or publications will be forwarded by Boeing to the Fleet Support Team (FST), via normal process. The cognizant Government engineering authority will ensure that all drawings and publications are updated.
- e) The anticipated contract will require the contractor to delivery all quantities within negotiated timeframes regardless of the Estimated Annual Demands. This requirement will ensure surge capability is maintained.

**14) Government-Furnished Property.**

No Government Furnished Material or information will be provided. At this point, the Government has not identified any Government Special Tooling or Special Test Equipment that must be provided to the contractor.

**15) Government Furnished Information**

The Government will provide historical data/information such as historical demand, but disclaims the accuracy of this data.

**16) Environmental and Energy Conservation Objectives**

The proposed contract will require compliance with Title VI of the Clean Air Act (42 U.S.C. 7671, et seq.), Executive Order 13148 of April 12, 2000, Greening the Government through Leadership in Environmental Management, Environmental Protection Agency (EPA) regulations, Protection of the Stratospheric Ozone (40 CFR Part 82), the Atomic Energy Act of 1954, the Drug-Free Workplace Act of 1988 (Pub. L. 100-690), the latest version of Federal Standard No. 313 (Material Safety Data Sheet, Preparation and Submission of), the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. 11001-11050 (EPCRA), and the Pollution Prevention Act of 1990, 42 U.S.C. 13101-13109 (PPA) as implemented in Part 23 of the FAR/DFARS/DLAD.

**17) Security Considerations**

The proposed acquisition does not involve classified data or parts, but is subject to Export control and International Traffic and Arms Regulation (ITAR).

**18) Contract Administration**

Normal contract administration functions will continue to be delegated to the Administration Contracting Officer (ACO). The Administrative Contracting Officer (ACO) at the Defense Contract Management Agency (DCMA), Chicago IL, will be responsible for contract administration. All orders and contract modifications to those orders, however, will be issued by DLA Procurement Contracting Officers (PCO). The DLA PCO is or will be responsible for modifications which effect the basic contract. The PCO will monitor performance through the reviews and reporting requirements listed in the contract. The ACO and cognizant Small Business Administration personnel will administer and monitor performance under the Small Business Plan.

**19) Other Considerations**

- a) Foreign Military Sales requirements will be supported under the proposed award as specified in the performance work statement.



- b) As the estimated cost of this procurement exceeds \$103 million dollars, pursuant to 10 U.S.C. 2304a (d), as amended by Section 843 of the National Defense Authorization Act (NDAA) for Fiscal Year 2008, a Determination and Finding (D&F) is required prior to award of a contract to a single source. As there is only one source qualified and capable of performing the work, the award of a single source contract is appropriate in this instance.
- c) Boeing is the only source with the experience and ownership of the technical data that can provide material for this program in a timely, efficient and effective manner. Therefore, award to any other source would result in unacceptable delays in fulfilling anticipated fleet requirements. Accordingly, a Justification and Approval (J&A) will accompany the aforementioned D&F for approval.
- d) Domestic sourcing requirements shall be monitored by inclusion of the Buy American Act/Balance of Payments Clauses, Domestic Specialty Metals Clause DFARS 252.225-7104 and Required Sources for Ball Bearings, Clause DFARS 252.225-7016 and DFARS 252.225-7012 Preference for Certain Domestic Commodities. The PCO will refer notification of non-compliance to the cognizant technical authority.

## **20) Project Milestones**

Acquisition plan approval. DLA is the approval authority for this acquisition strategy. Estimated approval date is September 2013.

Statement of Work. Will be completed as part of the RFP .

Specifications. N/A.

Purchase Request. N/A.

Justification and Approval for other than full and open competition. The Justification and Approval is anticipated to be approved and signed by the SPE by Sep 18, 2013.

Issuance of synopsis. The proposed solicitation will be published in FedBizOps. Publication of a Potential Sources Sought advertisement was issued on July 17, 2013.

Issuance of solicitation. Solicitation SPRPA1-13-R-003Uis anticipated to be issued Sep 19, 2013 and will close in October 2013

Evaluation of proposals, audits, and field reports. Expedited evaluation of the proposal is anticipated. The estimated date for completion of evaluation is January 2014.

Beginning and completion of negotiations. Terms and conditions are expected to be negotiated and in place by November 2013. Negotiations should commence on or about February 2014 and be concluded by March 2014 for the Performance Based phase of this requirement.

Contract preparation, review, and clearance. Preparation and approval of the business clearance and award documents for the Performance Based phase are expected to be completed by March 2014.

Contract award. The anticipated contract award date of Terms and conditions is November 2013 and award of the performance based phase is anticipated to be March 2014.

**21) Identification of participants in the Acquisition Plan preparation**

Name	Title	Phone
David Gioia	Contracting Officer	(b) (6)
Tim Durepo	Contracting Officer	

**C. Coordination/Approval**



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(b) (6)

David Gioia, DLA Aviation

Date

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Head of the Contracting Activity

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Date